

FISCAL NOTE

SB 1468 - HB 1641

February 27, 2007

SUMMARY OF BILL: Redefines "single article" as it applies to local government single article tax. Requires audio equipment installed in motor vehicles by automobile dealers at the time of sale, which is not part of the sales price of the vehicle, to be considered separate and not part of the vehicle unit.

ESTIMATED FISCAL IMPACT:

Increase Local Govt. Revenues - \$380,000

Assumptions:

- Currently, T.C.A. 67-6-702 (d) defines the term single article for purposes of levying local government single article sales tax.
- According to the Department of Revenue (DOR), state sales tax collections will not be impacted by this bill because audio equipment upgrades would still be considered part of the vehicle unit with respect to the state's single article tax.
- According to DOR, local sales tax collections would increase because automobile dealers would no longer be able to include the price of upgraded audio equipment into the total sales price of a vehicle; separate invoices would be required for such audio equipment upgrades.
- 340,000 new motor vehicles are sold in Tennessee each year.
- 25% of vehicle purchases are estimated to have audio equipment upgrades.
- Upgraded audio equipment is estimated to cost \$200 per upgrade.
- Taxable sales for local governments are estimated to increase by approximately \$17,000,000 per year (340,000 vehicles X 25% X \$200 = \$17,000,000).
- The local option sales tax rate is estimated to average 2.25%.
- The increase to local government revenues are estimated to be \$380,000 per year (\$17,000,000 X 2.25% = \$382,500).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director